

## TRADITIONAL DEPOSITORY INSTITUTIONS PRODUCTS

Depository institutions (banks and thrifts) have traditionally offered consumers deposit products, such as checking, savings and money market deposit accounts, and certificates of deposit (CD's) for which each depositor is insured by the FDIC up to \$100,000.

Increasingly, these institutions are also offering consumers a broad array of investment products that are not deposits, such as mutual funds, annuities, life insurance policies, stocks and bonds. Unlike the traditional checking or savings account, however, these nondeposit investment products are not insured by the FDIC.

## NONDEPOSIT INVESTMENT PRODUCTS

These products may be offered to you in the financial institution's lobby, through the mail or over the phone or through the Internet. Most often, the people selling these products are not financial institution employees, but employees of third-party securities broker/dealers or insurance companies.

To assure that sales representatives fully inform you about nondeposit investment products, the FDIC and other Federal banking agencies have issued guidelines to financial institutions that describe the information you must be told about the risks associated with these products. The mandatory disclosures are listed below.

**When you meet or talk with a sales representative about nondeposit investment products, you should be informed that:**

- "This product is not insured by the Federal Deposit Insurance Corporation."
- "This product is not a deposit or other obligation of, or guaranteed by, the bank."
- "This product is subject to investment risks, including possible loss of the principal amount invested."

Sales representatives must make these disclosures to you orally and/ or in writing whenever they make a presentation, provide investment advice concerning a nondeposit investment product, or open an investment account for you.

Any advertisements and other promotional materials you receive must disclose that the product is not a deposit, is not insured by FDIC, and is subject to investment risks.

Look for the logo disclosure for products insured by FDIC (see below) in visual media such as television broadcasts, ATM screens, billboards, signs, posters, and in written advertisement and promotional materials such as brochures.



It's important to remember that there are generally higher risks associated with nondeposit investment products than with the traditional deposit products, such as savings and interest bearing checking accounts. Nondeposit investment products are not FDIC-insured so you could lose some of the money you invested or not gain as much profit as you expected.

## INVEST WISELY

### Commodity Futures

Only commodity brokers registered with the U.S. Commodity Futures Trading Commission (CFTC) can sell exchange-traded futures contracts and options on futures to the public lawfully. The National Futures Association (NFA), a Commodity Futures Trading Commission (CFTC) - designated self-regulatory organization, has a toll-free hotline at 1-800-621-3570 or visit their web site at [www.nfa.futures.org](http://www.nfa.futures.org) to verify registration and disciplinary history (including customer complaints) of futures/options firms and salespersons. Commodity Futures Trading Commission (CFTC) web site is [www.cftc.gov](http://www.cftc.gov). From outside the United States, call 312-781-1410.

### Securities

Before making a securities investment in stocks, bonds, or mutual funds, you should get written financial information such as a prospectus or annual report. Select a broker or investment adviser who understands your financial objectives. Interview two or three to compare experience, education, and professional background. **Call the National Association of Securities Dealers, Inc. (NASD) toll-free - 1-800-289-9999 to find out about the disciplinary history of the broker.**

Call your state securities regulator to see if the investment and the salesperson are registered in your state, and to obtain any disciplinary information.

(Visit <http://www.pueblo.gsa.gov/crh/security.htm> for number)

## Day Trading

Unlike longer term investments for college or retirement, day trading seeks profits based on short-term fluctuations in the prices of stocks. You gamble on whether the price of a stock will rise or fall. **Unless you are extremely knowledgeable about stocks and how the stock market works, you should not engage in day trading.** For more information, call the Securities and Exchange Commission (SEC) toll-free - 1-800-SEC-0330 or visit their web site at <http://www.sec.gov>.

## INVESTMENT COUNSELING

Sales of nondeposit investment products on the premises of a financial institution should be conducted in a physical location distinct from the area where insured deposits are taken. The investment sales area should be distinguished from the deposit-taking area by signs or other means.

Tellers and other financial institution employees located in the deposit-taking area may not make general or specific recommendations regarding nondeposit investment products or accept orders for these products. However, these employees may refer you to an individual who is specifically designated and trained to assist you.

When shopping for a nondeposit investment product, look for one that suits your investment goals and objectives, your financial and tax status, the amount of risk you're willing to take, and the time horizon you've set for your investment portfolio. Don't hesitate to provide the salesperson with this information. He or she needs to know about your financial objectives before recommending a product that suits you.

## INSURANCE COVERAGE

Sales presentations and advertisements about nondeposit investment products should not suggest or imply that any alternative insurance coverage is the same as or similar to FDIC insurance.

For example, securities sales may be insured by the Securities Investor Protection Corporation (SIPC). If the investment firm

holding your securities is an SIPC member, your investment account is protected if the SIPC member fails. SIPC coverage is not the same as FDIC insurance protection and does not insure against a decrease in value of a particular investment.

## HOW TO PROTECT YOURSELF

- Never invest in a product that you don't understand.
- Understand the risks involved in your investment. Investments always entail some degree of risk.
- Know who is investing your money—does the salesperson work for the bank or a third-party broker/dealer?
- Understand how the broker or investment adviser is paid. What fees will you pay to purchase, sell or maintain the account?
- If you have a problem with your broker or your account, talk with the firm's manager. If you can't resolve the problem, contact the U.S. Securities and Exchange Commission or your state securities regulation.
- Select a sales representative who understands your financial objectives by interviewing two or three to compare experience, education, and professional background.
- Visit the numerous web sites providing personal finance information. Good gateways to these web sites are [www.pueblo.gsa.gov](http://www.pueblo.gsa.gov) and [www.consumerworld.org](http://www.consumerworld.org). Click on money.
- Read magazines like Money, Kiplinger's Personal Finance and Fortune for investment advice.

## Avoiding Investment Fraud

Deceptive or fraudulent sales pitches for investments often misrepresent or leave out facts in order to promote fantastic profits with little risk. No financial investment is risk-free and a high rate of return means greater risk. Beware if a salesperson:

- **Tells you to borrow money** on a credit card, take out a mortgage on your home, or cash in your IRA to invest in commodities;
- **Pressures you to invest immediately**, and then sends an overnight courier service to pick up your check and give you forms to sign;
- **Promises quick profits**;
- **Downplays the risk disclosure documents** and statement, which are required by Federal law, as just a formality;
- **Tells you to write false information** on your account form, for example, to overstate your income;
- **Sends information that is not printed on letterhead stationery** or has typographical errors;
- **Does not send your money promptly** when you order the broker to close a trade and send you your balance;
- **Offers to share inside information**; or
- **Uses words like "guarantee," "high return," "limited offer," or "as safe as a C.D."**



Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



## DEPARTMENT OF FINANCIAL INSTITUTIONS

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